

2011

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# Employment Tax Issues



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# Form 941 Changes

## New Line 5e

- 3121 (q) Notice and Demand
- Tax due on unreported tips

## Lines 6a through 6d

- Reserved for future use

## Changes reflect new rules beginning in Q1

- Lines 12c and 12d eliminated



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# Small Business Health Care Tax Credit

For small employers that provide health insurance coverage

Tax years beginning after 12/31/2009

- For Profit: nonrefundable at 35%
- Tax Exempts: refundable at 25%

Requirements: FTE, average annual wages, must be qualifying arrangement

See Notice 2010-44 and Notice 2010-82

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# W-2 Reporting of Cost of Employer Health Care Coverage

Amount reported not taxable

Optional for 2011 (Notice 2010-69)

Report in Box 12 of Form W-2

- Code DD
- Information only

See Notice 2011-28 for interim guidance and transition relief, including for certain small employers



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# Reduction in Employee Share of Social Security for 2011

Employee Social Security tax rate changed from 6.2% to 4.2%

Employee social security rate

New multipliers on Form 941 – rate change from 12.4% to 10.4%

Only employee share changed; employer share remains at 6.2%



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# Form 1099-MISC Compliance

KEY – Secure correct TIN upfront

IRS Sends CP2100 or CP2100A for returns  
filed with missing or incorrect TIN

Payer may be required to backup withhold

CP 2100 actions – missing or incorrect TINs



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# Form 1099-MISC Compliance

The “B” Notice

Solicitation requirements

Backup withholding, Form 945, IRS Audit  
& Penalties

Documentation





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# Worker Classification

Independent  
Contractor

or

Employee

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Independent  
Contractor



or Employee . . .

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# 1120-S Officer's Compensation

Little or no compensation reported and significant distributable income

Officer/shareholder performed significant services

Employment taxes reduced or eliminated

Compliance efforts



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# Collection of Trust Fund Taxes

Prompt Filing of Notice of Federal Tax Lien

Assertion of Trust Fund Recovery Penalty

Simultaneous Collection from both Business  
Entity and Responsible Parties



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